

Retail securitisation volume soars over two-fold to Rs 33,000 crore in Q1

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Representative image

With the economy normalizing to the pre-pandemic levels, credit off-take has been on an upswing and so does retail

securitisation volume which soared more than two-fold to Rs 33,000 crore in the first quarter, shows an analysis.

The pandemic shocks had retail securitisation volumes plunging in the first quarters of the past two fiscal years, but the trend was reversed with the normalization of economic activities, pushing the securitisation volume by 113 percent in Q1 to Rs 33,000 crore from Rs 15,500 crore a year ago, according to an analysis by Care Ratings.

The retail securitisation volume includes pass through certificates (PTCs) and direct assignment (DA) transactions. Of the total, mortgage loans contributed around 47 percent of the DA transactions in Q1, while vehicle loan pools dominated the PTC volumes with 59 percent share.

The other major asset classes include microfinance loans (12 percent), gold loans (7.5 percent), and unsecured business loans, personal loans and consumer finance loans, cumulatively constituting 6.2 percent, says the report. The retail market volume was again driven by DA transactions, with 61 percent of the overall share, while the remaining share was of PTC deals.

The DA segment is led by mortgage-backed securitisation (MBS) with an aggregate size of around Rs 13,000 crore, followed by asset-backed securitisation (ABS) at around Rs 4,000 crore, which includes pools backed by all the asset classes (except mortgage loans and microfinance loans). MFI loans made up around 13 percent of the DA volume. PTC volume is mainly driven by ABS pools contributing around 73 percent of the total issuances and is led by vehicle loans at around Rs 7,600 crore accounting for around 59 percent.

The report concludes that despite the rising fear of a global recession, coupled with the challenges brought on by the volatile commodity prices as well as the supply chain issues, the signs of overall improvement in the economic activity in the

country and the rising credit demand will keep the momentum for the retail securitisation segment led by NBFCs.

This coupled with the focus on retail loan book expansion through inorganic channels and increased pressure to meet PSL requirements for banks augurs well for the securitisation market as a whole. Given these, the agency believes that the volume will clip at around 40 percent overall in FY23 over FY22.

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